

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION

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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

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In re:

BLOCKFI INC., et al.,¹

Debtors.

Chapter 11
Case No. 22-19361 (MBK)

Jointly Administered

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**RESERVATION OF RIGHTS OF THE U. S. SECURITIES
AND EXCHANGE COMMISSION TO DEBTORS’
APPLICATION IN LIEU OF A MOTION IN SUPPORT OF ENTRY
OF AN ORDER (I) AUTHORIZING CONVERSION OF TRADE
ONLY ASSETS IN WALLET ACCOUNTS INTO WITHDRAWABLE
DIGITAL ASSETS AND (II) GRANTING RELATED RELIEF**

The U.S. Securities and Exchange Commission (“SEC”) files this reservation of rights with respect to the Debtors’ *Application In Lieu Of A Motion In Support Of Entry Of An Order (I) Authorizing Conversion Of Trade Only Assets In Wallet Accounts Into Withdrawable Digital Assets And (II) Granting Related Relief* (the “**Application**”) [Docket No. 1428].²

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Debtors’ service address is 201 Montgomery Street, Suite 263, Jersey City, NJ 07302.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Disclosure Statement Motion.

BACKGROUND

1. The SEC is the federal agency responsible for regulating the U.S. securities markets, protecting investors, and enforcing the federal securities laws. In this bankruptcy case, the SEC is also a creditor holding an approximately \$30 million claim against the Debtors pursuant to an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing a Cease-and-Desist Order entered on February 14, 2022 in an Administrative Proceeding before the Commission.³

2. On August 29, 2023, the Debtors filed the Application, which seeks authority for the Debtors “to make a one-time exchange of the Trade Only Assets for Gemini Dollar (GUSD) stablecoin or another stablecoin of the Debtors’ choosing . . .” These assets include crypto asset securities.

3. On September 5, 2023, the Debtors agreed to extend the deadline for the SEC to respond to the Application until September 7, 2023 at 4:00 p.m. Prior to that deadline, on September 6, 2023, the Court entered an order approving the Application.

RESERVATION OF RIGHTS

The SEC staff has reviewed the Application and does not object to the terms thereof. In not objecting, the SEC is not opining as to the legality, under the federal

³ On June 22, 2023, the SEC entered into a stipulation with the Debtors pursuant to which it consented to payment in full of all other allowed claims in Classes 1, 2, 3, 4 and 11 prior to payment of the SEC’s claim, to maximize the amount that may be distributed to investors and avoid delay in such distribution. *See* Docket No. 1140. In addition to its status as a creditor, as a statutory party in a corporate reorganization proceedings, the Commission “may raise and may appear and be heard on any issue[.]” 11 U.S.C. § 1109(a).

securities laws, of the transactions outlined in the Motion, and reserves its rights to challenge transactions involving crypto assets.

Dated: New York, NY

September 7, 2023

UNITED STATES SECURITIES AND
EXCHANGE COMMISSION

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 7th day of September 2023, a true and correct copy of the foregoing Reservation of Rights was furnished to all ECF Participants via the CM/ECF system, and further, served by email upon the following:

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/s/ Alan S. Maza
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